

State and Local Government

State-Local Partnership

California's prosperity—Both the U.S. and California economies experienced remarkable growth in 1999. Nationally, real economic growth averaged almost 4 percent, a very strong pace for an expansion that in February will become the longest upturn in U.S. history. The state's unemployment rate, at 4.8 percent in November, is the lowest ever recorded on the current basis, which dates from January 1970. California's non-farm job growth of 3.3 percent last year was half-again the nation's 2.2 percent increase. Statewide, property tax assessed values grew by 7.1 percent in 1999, and are expected to grow by 8 percent in 2000. Taxable sales for 1999 are expected to be up by 8.8 percent over 1998. These factors have contributed to a healthy economic outlook for cities and counties as well.

1999 Budget Act

As a result of the healthy economy, the State was able to provide financial assistance to local governments in the 1999-00 budget in several areas, including:

- \$150 million one-time assistance to counties, cities, and special districts
- \$100 million to continue the Citizens—Option for Public Safety (COPS) Program
- \$35.8 million in on going jail booking fees subvention for cities
- \$425 million in capital for the State Infrastructure Bank, to be leveraged to finance up to three times that amount of local projects
- Approximately \$50 million for grants to local agencies for parks, playgrounds, museums, and recreational programs
- \$30 million to local law enforcement agencies to address equipment needs
- \$44 million for subvention to local agencies for flood control projects
- Augmentations in the Medi-Cal and Healthy Families Programs, to expand program eligibility to approximately 380,000 previously uninsured individuals, thereby reducing demand for county-funded health care services.
- **California Counts**— \$5 million to support local government efforts to achieve an accurate count in the decennial census.

In addition, the Administration also supports several general obligation bonds on the March 2000 ballot that will provide significant assistance to local entities. The State's General Fund will pay the principal and interest on these bonds, which are:

- The \$2.1 billion Villaraigosa-Keeley Safe Neighborhood Parks, Clean Water, Clean Air and Coastal Protection Bond Act, which includes \$815 million for local parks and recreation programs and \$97 million for local grants relating to river parkway, agricultural land stewardship, local conservation corps, urban forestry, and playground standards programs and projects.

- The \$1.9 billion Safe Drinking Water, Clean Water, Watershed Protection and Flood Protection Act, which includes \$1.4 billion to assist local agencies, through grants or loans, in the areas of safe drinking water, flood protection, watershed protection, clean water and recycling, water conservation, and water supply, reliability, and infrastructure.
- The \$350 million California Library Construction Bond Act, which will provide funding to local agencies for the acquisition, construction, or improvement of public libraries.
- The \$220 million Hertzberg-Polanco Crime Laboratories Construction Act, which will provide funding to local agencies for the construction and renovation of local crime laboratories.

Governor's Budget

The 2000-01 Budget continues the Administration's efforts to support high priority programs of mutual concern to the State and local governments:

- **Transportation**—As part of the Governor's Transportation 2000 Initiative, the Administration proposes that \$2.7 billion of state funds be made available in 2000 for programming and expenditures by local agencies by extending the State's transportation project plan from four to seven years and reevaluating state cash availability. Additionally, the initiative encourages the expeditious expenditure of approximately \$2.5 billion of existing local funds.
- **COPS Program**—The Administration proposes to extend the \$100 million COPS program through fiscal year 2004-05. An additional \$21.3 million will be provided to ensure that each local law enforcement agency will receive at least \$100,000. The long-term extension of the program and the guaranteed minimum funding level of \$100,000 will encourage the hiring of additional sworn peace officers.
- **Technology Grants for Local Law Enforcement**—The Budget also includes \$100 million for one-time competitive grants for local law enforcement agencies. Of these funds, \$75 million will be available to local law enforcement agencies for high-technology equipment. The remaining \$25 million will be provided for school safety, juvenile crime, and anti-gang purposes.
- **Peace Officer Training**—The Budget includes an increase of \$4 million for the Commission on Peace Officers Standards and Training (POST) to reimburse local law enforcement agencies for costs they incur for officer training.
- **Indigent Health Care**—The Budget proposes an augmentation of \$24.8 million from available health care funds for emergency room physician services. The costs for emergency room physician services otherwise would be borne by counties.
- **Housing**—The Budget includes \$21.2 million for programs that assist communities in providing affordable housing. This continues the 1999-00 funding level for a variety of housing programs used by local housing authorities, redevelopment agencies, and nonprofit community groups to develop affordable housing. For 2000-01, the Budget provides \$11 million for multi-family housing, \$2.5 million for preservation of housing for which federal assistance has expired, \$2.2 million for self-help housing, \$3.5 million for farm worker housing, and \$0.8 million for cold-weather shelter programs. The Budget also includes \$1.2 million to continue the homeless shelters program at various armories during the winter months under the Military Department.

Additionally, the Administration proposes to permanently increase the authorization for state housing tax credits from \$35 million to \$50 million annually. These credits are combined with other sources of funding to help communities work with developers to create low-income housing.

Working Together

The State and local government must work together to provide public services to California's citizens. Consistent with this objective, the Administration believes that it is important that local governments use existing resources effectively. Key to this effort is:

- Accountability in using idle funds.
- Compliance with the requirements of current law.
- Smart planning for California's future.

Accountability in Using Idle Funds—Local governments should demonstrate timely use of funds allocated by the State or distributed pursuant to statute.

Examples of untimely spending by local governments include:

- Unexpended allocations of fuel taxes and other funds received from the State and federal government. Over \$1.7 billion is currently in the State Highway Account, and an equal amount of local road funds is sitting idle in local accounts. Local government agencies also hold over \$800 million in federal congestion mitigation funds, which have not been spent in a timely manner.
- Local redevelopment monies, including an analysis of whether local governments are meeting their affordable housing commitments. According to the Controller's 1997-98 Community Redevelopment Agencies Annual Report, as of June 30, 1998, approximately \$1.4 billion was available in the Low/Moderate Income Housing Fund.
- Reserve funds in the County Medical Services Program (CMSP). In 1999, the CMSP reserve was in excess of \$55.0 million, and it is expected to grow to \$97.0 million by June 30, 2000. Recent expansions in health care coverage through the Medi-Cal and Healthy Families Programs have reduced the demand for county-funded health care services and may have contributed to this large reserve.
- Counties—CalWORKS incentive payments. Counties have performed well in their implementation of CalWORKs and have been successful in earning incentive payments as a result. However, of the total \$1.1 billion in incentive payments appropriated in 1998-99 and 1999-00, only \$5.3 million had been spent for CalWORKs services as of September 30, 1999.

Failure to spend existing funds for their intended purpose denies Californians the benefits anticipated when those revenues were collected and allocated.

Compliance with Current Law—City and county governments are required to maintain a general plan for land use, which serves as the "constitution" of the community or plan for long-term physical development in the area. State law requires the housing element in the general plan to be updated every five years. The remaining elements are required to be current, although the law does not specify how often they should be updated. Each general plan has seven mandatory elements:

- Land use, relating issues such as zoning, subdivision, and public works into a coherent development policy.
- Circulation, addressing not only traffic but movement of goods, water, energy, sewage, and storm drainage.
- Regional housing needs, including planning for an adequate supply of affordable housing.
- Conservation, addressing the conservation, development, and utilization of natural resources.

- Open space, guiding long-range preservation and conservation of community open spaces, including wildlife refuges, parks and recreation areas, and floodplains.
- Noise, providing strategies for limiting the exposure of the community to excessive noise levels.
- Safety, planning for risk reduction and response to disasters such as earthquakes, fires and landslides.

Unfortunately, many general plans are no longer current, allowing unplanned growth and development to undermine communities—quality of life. The Office of Planning and Research's analysis of local governments— compliance with general plan requirements indicates the following:

- 301 cities and 37 counties have not updated the housing element of their general plan in the last five years as current law requires.
- 227 cities and 38 counties have not updated at least one element of their general plan in over ten years.

Compliance with the law's requirements to maintain current general plans would ensure that all Californians benefit from the comprehensive planning that is intended to be part of the general plan process. In addition, compliance with the general plan requirements would assist local governments in addressing the anticipated population growth of almost 3.5 million Californians in the next five years.

Smart Planning For California's Future—California must accommodate another 12 million people in the next 20 years. Local communities and the State must work cooperatively to support this growth and protect the quality of life in California, especially in the face of prior unplanned growth. Well-planned growth is the best way to stimulate job creation, forge new transportation and housing options, and continue California's economic prosperity. Wise planning should include an emphasis on compact development rather than sprawl, preservation of farmland and scenic lands, and sufficient transportation, affordable housing and basic infrastructure to support both existing as well as new communities.

The Administration challenges local communities to work cooperatively on growth and fiscal policies that encourage smart growth solutions and that balance economic, quality of life, and environmental considerations.